

# **State of Alaska FY2008 Governor's Operating Budget**

## **Department of Administration Purchasing Component Budget Summary**

## Component: Purchasing

### Contribution to Department's Mission

To assist state agencies and political subdivisions to achieve their public mission and reduce costs by providing professional procurement services.

### Core Services

- Establish cost-effective multi-agency term contracts for high use supplies and services needed by all agencies.
- Provide training to client agencies on the application of the State Procurement Code (AS 36.30, 2 AAC 12) and the Alaska Administrative Manual.
- Provide consultation to client agencies to assist them in their procurement of supplies, services and professional services.
- Participate in and facilitate cooperative purchases with qualified public procurement units to increase buying power and leverage limited resources.
- Provide guidance and leadership in procurement by supplying information, policy manuals, standard documents and forms, automated procurement tools and necessary information.

End Results	Strategies to Achieve Results
<b>A: Improved cost effectiveness of state procurement.</b>  <u>Target #1:</u> 100% of new contracts entered into produce a minimum of 5% savings from prior rates. <u>Measure #1:</u> Percent of change in cost of goods and services.	<b>A1: Establish consolidated contracts for statewide use.</b>  <u>Target #1:</u> Establish new statewide contracts or purchasing agreements. <u>Measure #1:</u> Number of new consolidated contracts or purchasing agreements.  <b>A2: Training and certification of state agency procurement personnel.</b>  <u>Target #1:</u> Maintain 20 annual procurement training courses. <u>Measure #1:</u> Annual number of training sessions, personnel certified and re-certified.

### Major Activities to Advance Strategies

- Procurement and expenditure analysis to determine which new contracts should be established.
- Issue solicitations or enter into cooperative agreements to obtain cost effective contracts.

### FY2008 Resources Allocated to Achieve Results

<b>FY2008 Component Budget: \$1,257,400</b>	<b>Personnel:</b>	
	Full time	14
	Part time	0
	<b>Total</b>	<b>14</b>

## Performance Measure Detail

### A: Result - Improved cost effectiveness of state procurement.

**Target #1:** 100% of new contracts entered into produce a minimum of 5% savings from prior rates.

**Measure #1:** Percent of change in cost of goods and services.

**Analysis of results and challenges:** .

07/01/03–12/31/03: One contract (for aviation fuel) alone is producing approximate savings of 6.79% over FY03 cost.

New minimum cost percentages for RFPs, established May 03' generate estimated annual savings of 6.43 %. However, a more conservative estimate of 2% savings was reported to OMB.

Permissive Price Agreements (discount structures) with certain in-state vendors were established in October 03' for purchases of \$5,000 or less. The State entered into nine agreements with saving ranging from 10% to 80% off retail pricing.

01/01/04–03/31/04: DGS awarded one aviation fuel contract at Bethel which is producing approximate savings of 10.39% over FY03 costs.

DGS outsourced the procurement and warehouse functions at the Department of Transportation, Southeast Region. The comparison of state employee costs to the contract rates, including a one-time implementation fee will result in savings of 22% over the two-year pilot term

Seven mandatory duplication services contracts were established in Juneau, Anchorage, and Fairbanks for duplicating jobs of 50,000 impressions and less. These contracts provide average savings of 30% below the contractors' standard pricing.

The Minnesota Multi-state Contracting Alliance for Pharmacy (MMCAP) established two hospital and laboratory supplies contracts for use by member states, including Alaska. The contracts provide savings of 5% - 35% off a wide variety of frequently used supplies, with an average discount of 25% below retail.

DGS' copier acquisition policy has resulted in an approximate 27% decrease in the dollar value of state copiers purchased or leased since implementation of the policy in October 03'.

DGS awarded six office move contracts at Juneau, Anchorage, Fairbanks, Eagle River, Palmer and Wasilla. These contracts provide average savings of 35% below the contractors' standard pricing.

04/01/04–06/30/04: Re-bid of the archival services and storage contract in Anchorage resulted in savings of 2.7% over the previous contract.

07/01/04-09/30/04: Re-bid of the fax machine contracts resulted in estimated savings of 25% over previous contract pricing due to a reduction of models offered.

Negotiations with Symantec resulted in an approximately 55% reduction in the state's pricing level. Symantec

sells a host of products, including Symantec Antivirus which is the state software standard for desktop and server protection.

10/01/04-12/31/04: General Services awarded the new, mandatory State Travel Office (STO) travel agency services contract to provide consolidated travel agency services to Medicaid beneficiaries and state employees. Cost savings under this contract will be realized through a number of ways, including consolidation of effort, economies of scale, and negotiated travel fares. These services will be made available first to Medicaid beneficiaries, with Medicaid savings of approximately \$307,500 expected in FY05 and \$900,000 in FY06, based on a 16.5% savings on airfare. The estimated savings expected for state-funded travel is not yet available.

Rebid of the office supply contracts in Anchorage, Fairbanks, Juneau and Ketchikan resulted in savings of between 33% and 57.7% off the manufacturers' suggested retail pricing and will save approximately 6% from previous contract rates.

Rebid of the express package delivery contract between locations in Alaska for packages up to 10 lbs. provides savings of 60% below the contractor's standard pricing. However due to increases in the market this contract will not provide savings over the previous contract rates.

Rebid of the Data Entry contract in the Juneau region resulted in no additional savings. The previous contract was in place for six years and did not contain a price adjustment clause; as a result the contractor was providing services to the state at 1998 rates. While we did not realize additional savings, the state was able to refine various agency forms, clarify needs and requirements, update keypunch instructions and provide an enhanced and more functional contract.

01/01/05-03/31/05: DGS established seven computer/printer contractual agreements with WSCA Dell, Gateway, Hewlett Packard, Howard Computers, IBM and MPC. One of the agreements (WSCA/Dell) was a replacement contract, the remaining six are new. These contracts are the result of a multi-state cooperative purchase led by the State of Minnesota and are expected to save at least 5% when compared to prices otherwise available to the state.

A new statewide contract was awarded to Hewlett Packard to provide HP OEM print cartridges. Cost savings on this contract will be realized through a 17% discount off HP's State and Local Government price list and free shipping to Alaska.

DGS established three contractual agreements for communications equipment; radios, receivers, test equipment, towers, microwave antennas, etc. These contracts are the result of a multi-state cooperative purchase led by the State of Washington. Savings of at least 5% are expected.

Note: Political subdivisions of the state may also utilize all contracts referenced above.

04/01/05-06/30/05: DGS awarded a new statewide contract for LANDesk software products and customization/installation services. The contract provides a 60% discount over MSRP.

DGS established two new contractual agreements for communications equipment with Motorola (two-way radios & associated equipment) and Valmont (communications towers). These agreements fall under the Western States Cooperative Association's Public Safety master radio contract and produce savings of approximately 15%.

A new marine diesel fuel contract was awarded in Cordova, Alaska. Price per gallon has been reduced by 13%. Vessels operated by Marine Highways, Public Safety and Fish and Game will utilize the contract.

07/01/05-09/30/05: DGS awarded 15 new contracts for air travel between rural city pairs. These contracts work in conjunction with the Statewide Travel Office to combine travel purchases and ensure passengers fly with properly certified carriers. Savings of at least 5% was achieved.

Re-bid of the copier paper contract in the Juneau, Anchorage, and Fairbanks areas resulted in an average savings of 7.4% over previous contract prices.

Re-bid of the statewide software reseller contract resulted in an approximately 5% savings over previous contract

prices. Discounts from software list prices range from 5% to 40%.

Re-bid of Anchorage and Fairbanks locations of the office supplies contract resulted in savings of 2.5% to 5% over previous contract prices. Catalog discounts range from 50.1% to 60.1%.

10/01/05-12/31/05: DGS established 16 new contractual agreements for Hazardous Incident Response Equipment (HIRE). These agreements fall under the National Association of State Procurement Officials' master HIRE contract established by the State of New York. These agreements achieve savings of 4% to 48% off list prices.

DGS established two new contractual agreements for metered mail equipment with Hasler, Inc. and Pitney Bowes. These agreements fall under the Western States Cooperative Association's Metered Mail Equipment contract and produce savings of approximately 40%.

Re-bid of statewide microfiche contracts resulted in savings of 54.2%, representing a savings of 3.3% over previous contract prices.

01/01/06-06/30/06: DGS established 2 new contractual agreements for Hazardous Incident Response Equipment (10% off list), one agreement for public safety radios (5% off list) and established one new contract for projectors (60% off list).

DGS re-bid the requirement for rural air carrier services and awarded 12 contracts that provide point-to-point travel throughout Alaska (5% off standard airfare).

A Select agreement was reached with Microsoft for products not covered by the existing Enterprise Agreement. The agreement provides a 17.5% discount.

DGS established a contract agreement with Granger for industrial supplies. This agreement falls under the Western States Cooperative Association's contract. Discounts range from 10% to 40%.

## **A1: Strategy - Establish consolidated contracts for statewide use.**

**Target #1:** Establish new statewide contracts or purchasing agreements.

**Measure #1:** Number of new consolidated contracts or purchasing agreements.

### **Analysis of results and challenges:**

07/01/03–12/31/03: Five multi-department contracts have been awarded during first half of FY04; aviation fuel, marine vessel fuel, land fuel, copier contracts, groceries. One was a new statewide contract. Nine permissive price agreements were also awarded.

01/01/04–03/31/04: Fifteen multi-department contracts have been awarded during this period; aviation fuel, procurement and warehouse outsourcing, duplication services, office moves. DGS will participate in two multi-state cooperative contracts for hospital and laboratory supplies.

04/01/04–06/30/04: One multi-department contract was awarded for archival services and storage in Anchorage.

07/01/04-09/30/04: None awarded during this reporting period.

10/01/04-12/31/04: DGS awarded a new mandatory State Travel Office travel agency services contract. DGS also rebid two existing statewide contracts for office supplies and express package delivery. In addition, the Juneau data entry contract was successfully rebid.

01/01/05-03/31/05: DGS established six new statewide computer/printer contractual agreements with WSCA Dell, Gateway, Hewlett Packard, Howard Computers, IBM and MPC.

A new statewide contract was awarded to Hewlett Packard to provide HO OEM print cartridges.

DGS established three new contractual agreements for communications equipment; radios, receivers, test

equipment, towers, microwave antennas, etc.

Note: Political subdivisions of the state may also utilize all contracts referenced above.

04/01/05-06/30/05: DGA awarded a new statewide contract for LANDesk software products, and customization/installation services.

A new A&E contract was established for state Southeast Region tenants located in leases or state facilities. The Division of General Services will utilize this contract on behalf of all departments. DGS is working to establish similar contracts in the other regions of Alaska.

DGS re-bid the following statewide aircraft charter contracts; helicopter passenger, helicopter/fixed-wing cargo and fixed wing passenger.

07/01/05-09/30/05: DGS awarded 15 new contracts for air travel between rural city pairs.

DGS re-bid the following: software reseller contract, copier paper contract, and specific locations of the office supplies contract.

10/01/05-12/31/05: DGS established 16 new contractual agreements for Hazardous Incident Response Equipment (HIRE).

DGS established two new contractual agreements for metered mail equipment.

DGS re-bid the statewide microfiche contract.

01/01/06-06/30/06: DGS established 2 new contractual agreements for Hazardous Incident Response Equipment, one agreement for public safety radios and one new contract for projectors.

## **A2: Strategy - Training and certification of state agency procurement personnel.**

**Target #1:** Maintain 20 annual procurement training courses.

**Measure #1:** Annual number of training sessions, personnel certified and re-certified.

### **Analysis of results and challenges:**

07/01/03–12/31/03: Twenty training courses scheduled for FY04. Ten courses completed July – December 2003. Between July – December 2003, 122 state employees have received procurement certification. All certificates processed within 10 days of certification.

01/01/04–03/31/04: Seven courses completed January – April 2004. Attendance was 224 with 51 state employees receiving procurement certification. All certificates processed within 10 days of certification.

04/01/04–06/30/04: Five courses completed April – June 2004. Attendance was 159 with 45 state employees receiving procurement certification. All certificates processed within 10 days of certification.

07/01/04-09/30/04: Four courses completed in July - September 2004. Attendance was 120 with 45 state employees receiving procurement certification. All certificates processed within 10 days of certification.

10/01/04-12/31/04: Nine courses completed October - December 2004. Attendance was 415 with 135 state employees receiving procurement certifications. All certificates processed within 10 days of certification.

01/01/05-03/31/05: Five courses completed January-march 2005. Attendance was 198 with 157 state employees receiving procurement certification. All certificates processed within 10 days of certification.

04/01/05-06/30/05: Twelve courses completed April-June 2005. Attendance was 336 with 154 state employees receiving procurement certification. All certificates processed within 10 days of certification.

07/01/05-09/30/05: Seven courses completed July – September 2005. Attendance was 139 with 78 state

employees receiving procurement certification. All certificates processed within 10 days of certification.

10/01/05-12/31/05: Five courses completed October – December 2005. Attendance was 189 with 69 state employees receiving procurement certification. All certificates processed within 10 days of certification.

01/01/06-06/30/06: Fourteen courses completed January – June 2006. Attendance was 393 with 210 state employees receiving procurement certification. All certificates processed within 10 days of certification.

## Key Component Challenges

- Increase the current level of services while utilizing the same staff resources to:
- Automate systems and procurement methods using the Internet to foster improved efficiency for state agencies, improved access for Alaska Vendors to state business, and enhanced reporting on state purchasing activities;
- Improve the statewide procurement officer certification and training program;
- Maintain and enhance the Web-based system to track state procurement officer certifications, training records, and delegations of purchasing authority;
- Increase the number of statewide term contracts available for all state agencies and political subdivisions;
- Implement and administer the procurement outsourcing pilot project.

## Significant Changes in Results to be Delivered in FY2008

Identify and implement new procurement cost savings, cost avoidance and efficiency measures.

## Major Component Accomplishments in 2006

- Continued successful operation of the statewide procurement officer training/certification program, database and web site.
- Awarded fifteen new contracts for air travel between rural city pairs throughout Alaska. These contracts work in conjunction with the Statewide Travel Officer to combine travel purchases to ensure passengers fly with properly certified carriers.
- Established a new statewide software reseller contract, a Microsoft Enterprise agreement and a Microsoft Select agreement.
- Presented 26 procurement training courses to 721 attendees.
- Developed three new procurement courses associated with DGS' Procurement Officer Training/Certification Program; Advanced Request for Proposals, State Hearing Officer Procurement Decisions and Purchasing From State Contract Awards.
- Established nineteen new contractual agreements for Hazardous Incident Response Equipment (HIRE) under the National Association of State Procurement Officials' master HIRE contracts established by the state of New York. Political subdivisions of the state may also utilize these HIRE contracts.
- Issued a policy directive to all departments regarding the cancellation of formal solicitations.
- Established two new contractual agreements for metered mail equipment with Hasler, Inc. and Pitney Bowes. These agreements fall under the Western States Cooperative Alliance's (WSCA) metered mail equipment contract and may also be used by political subdivisions.
- A new agreement was established with Granger for industrial supplies under WSCA.
- Administered various statewide contracts covering supplies and services such as microcomputers, software, systems furniture, copiers, paper, hospital and laboratory supplies, pharmaceuticals, records storage, industrial supplies, office supplies, fax machines, heating fuel, bakery goods, groceries and meats which resulted in significant savings to the state.
- Processed 130 Requests for Alternate Procurement with a total value of \$43 million.
- Provided consultative services to all departments - reviewed advanced level procurement work and provided direction regarding complex solicitations, requests for alternate procurement, protests, appeals, violations and unique procurement situations.

## Statutory and Regulatory Authority

AS 36.30	State Procurement Code
AS 44.21.020(1),(4)	Duties of the Department
AS 44.99.200-240	State Publications

CHAPTER 51 SLA 03 Procurement Pilot Project  
2 AAC 12 Procurement  
2 AAC 15 Purchasing

### Contact Information

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### Purchasing Component Financial Summary

*All dollars shown in thousands*

	FY2006 Actuals	FY2007 Management Plan	FY2008 Governor
<b>Non-Formula Program:</b>			
<b>Component Expenditures:</b>			
71000 Personal Services	927.8	976.3	1,112.4
72000 Travel	23.2	4.4	4.4
73000 Services	105.6	123.1	126.0
74000 Commodities	19.4	14.6	14.6
75000 Capital Outlay	0.0	0.0	0.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
<b>Expenditure Totals</b>	<b>1,076.0</b>	<b>1,118.4</b>	<b>1,257.4</b>
<b>Funding Sources:</b>			
1004 General Fund Receipts	1,059.4	1,118.4	1,257.4
1007 Inter-Agency Receipts	16.6	0.0	0.0
<b>Funding Totals</b>	<b>1,076.0</b>	<b>1,118.4</b>	<b>1,257.4</b>

### Estimated Revenue Collections

Description	Master Revenue Account	FY2006 Actuals	FY2007 Management Plan	FY2008 Governor
<b>Unrestricted Revenues</b>				
None.		0.0	0.0	0.0
<b>Unrestricted Total</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Restricted Revenues</b>				
Interagency Receipts	51015	16.6	0.0	0.0
<b>Restricted Total</b>		<b>16.6</b>	<b>0.0</b>	<b>0.0</b>
<b>Total Estimated Revenues</b>		<b>16.6</b>	<b>0.0</b>	<b>0.0</b>

**Summary of Component Budget Changes  
From FY2007 Management Plan to FY2008 Governor**

*All dollars shown in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2007 Management Plan</b>	<b>1,118.4</b>	<b>0.0</b>	<b>0.0</b>	<b>1,118.4</b>
<b>Adjustments which will continue current level of service:</b>				
-FY 08 Health Insurance Increases for Exempt Employees	0.2	0.0	0.0	0.2
<b>Proposed budget increases:</b>				
-FY 08 Internal Dept Cost Increase due to Retirement Systems Rate Increases	2.9	0.0	0.0	2.9
-FY 08 Retirement Systems Rate Increases	135.9	0.0	0.0	135.9
<b>FY2008 Governor</b>	<b>1,257.4</b>	<b>0.0</b>	<b>0.0</b>	<b>1,257.4</b>

**Purchasing  
Personal Services Information**

Authorized Positions			Personal Services Costs	
	<u>FY2007</u> <u>Management</u> <u>Plan</u>	<u>FY2008</u> <u>Governor</u>		
Full-time	14	14	Annual Salaries	645,100
Part-time	0	0	Premium Pay	3,611
Nonpermanent	0	0	Annual Benefits	487,925
			<i>Less 2.13% Vacancy Factor</i>	(24,236)
			Lump Sum Premium Pay	0
<b>Totals</b>	<b>14</b>	<b>14</b>	<b>Total Personal Services</b>	<b>1,112,400</b>

**Position Classification Summary**

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accountant III	0	0	1	0	1
Accounting Tech II	0	0	1	0	1
Administrative Clerk II	0	0	1	0	1
Administrative Clerk III	0	0	1	0	1
Administrative Manager II	0	0	1	0	1
Chief Procurement Off	0	0	1	0	1
Contracting Officer III	0	0	5	0	5
Contracting Officer IV	0	0	1	0	1
Deputy Director, General Svcs	0	0	1	0	1
Publications Tech II	0	0	1	0	1
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>14</b>	<b>0</b>	<b>14</b>